

SMARTnership Contract Analysis

Strategic Battery Module Supply Agreement
Aurora Motors Corporation · Voltatek Energy Systems Inc.
Identifying positional thinking — unlocking collaborative value

INTRODUCTION: THE SMARTNERSHIP LENS

SMARTnership negotiation moves beyond the traditional win-lose paradigm. Rather than treating a contract as a zero-sum division of risk and reward, SMARTnership asks: where can both parties create more value together than either could alone?

This analysis reviews the Battery Module Supply Agreement and identifies clauses that reflect positional negotiation thinking — characterized by one-sided risk transfer, price pressure mechanisms, information asymmetry, and control-oriented language. For each finding, a SMARTnership reframe is proposed: a shift from positional defense to collaborative value creation.

The contract is a USD 400M, 3-year relationship between two companies whose operational success is deeply interdependent. That interdependence is the foundation on which a SMARTnership approach should be built.

AT-A-GLANCE SCORECARD

The table below rates each major commercial area on its current positional bias and SMARTnership transformation potential.

Area	Positional Bias	SMARTnership Potential	Priority
Pricing & Adjustment	High	High	Critical
Forecasting	Medium	High	High
Volume Commitment	High	High	Critical
Logistics & Risk	High	Medium	High
Inventory	Medium	Medium	High
Quality & Warranty	Medium	High	High
Payment Terms	Medium	Medium	High
Termination	Medium	Medium	Medium
Continuous Improvement	High	High	Critical
Relationship Governance	High	High	Critical

• **How to read this**

Critical = should be addressed before signing or in first renegotiation cycle. High = address in next annual review. Medium = monitor and improve over time.

1 · PRICING & RAW MATERIAL ADJUSTMENT (§12–14)

The Positional Pattern

The pricing structure is entirely reactive: a static base price adjusted only when raw material indices move. This design protects neither party well — it creates quarterly disputes rather than alignment, and provides no mechanism for sharing the gains from efficiency improvements or deeper collaboration.

§13 Raw Material Index Adjustment

What it says	Unit price adjusts quarterly based on published commodity indices for lithium, nickel, and cobalt. Supplier calculates; Buyer reviews and confirms.
Why it's positional	Framed as a cost-pass-through mechanism, this clause protects Supplier's margin but creates an adversarial quarterly renegotiation loop. It assumes Buyer has no role in helping manage input costs, and that the relationship is purely transactional. Buyer's only power is to 'confirm' — which in practice means accept or dispute.
SMARTnership reframe	Replace the one-sided pass-through with a shared hedging structure: joint commodity price risk management, agreed forward-buying windows, and a gain-share mechanism — so that when Supplier's procurement team beats the index, both parties benefit. This transforms a cost-control battle into a supply chain partnership.

§35 / §60 Continuous Improvement & Cost Reduction

What it says	If Supplier reduces costs through manufacturing improvements, 'the Parties may discuss potential adjustments to product pricing.' Supplier retains all innovations independently developed.
Why it's positional	The phrase 'may discuss' is purely aspirational. In practice, Supplier has zero contractual incentive to share efficiency gains with Buyer. All productivity upside accrues to Supplier. This is a classic positional omission: the absence of a gain-share clause implicitly favors one side.
SMARTnership reframe	Introduce a formal Productivity Gain-Share clause: if Supplier's manufacturing cost per module falls by more than X% in a given year, a defined portion (e.g., 40–60%) is shared with Buyer through price reductions. Both parties then have aligned incentives to invest in efficiency. Buyer might even co-invest in Supplier's automation.

2 · FORECASTING & VOLUME COMMITMENT (§7–8)

The Positional Pattern

The forecasting architecture places nearly all planning risk on Supplier while giving Buyer maximum flexibility. The 3-month binding window is short relative to the capital and material lead times required for battery manufacturing. The absence of any volume guarantee amplifies this imbalance significantly.

§7 No Minimum Volume Guarantee

What it says	'Unless otherwise specified, Buyer does not guarantee minimum purchase volumes.' Estimated volume is 500,000 modules/year but this is a planning estimate only.
Why it's positional	Voltatek must invest in manufacturing capacity, raw material supply chains, and workforce to serve Aurora's estimated 500,000 units/year — with zero contractual obligation from Aurora to actually purchase that volume. This is a one-sided risk transfer of the highest order. If Aurora's vehicle sales underperform, Voltatek absorbs the entire commercial consequence.
SMARTnership reframe	Introduce tiered volume commitments: a minimum annual purchase floor (e.g., 70% of forecast) with a defined financial adjustment if Aurora falls below. In exchange, Aurora gains priority capacity rights if it exceeds forecast. This is the SMARTnership 'Third Road' — not Aurora demanding flexibility, not Voltatek demanding certainty, but a shared risk corridor where both parties win or adjust together.

§8 Binding Forecast Period — 3 Months Only

What it says	Only the first 3 months of the rolling 12-month forecast are binding. Months 4–12 are non-binding planning estimates.
Why it's positional	Battery cells, specialty materials, and production capacity require 6–12 months of lead time. A 3-month binding window forces Supplier into a permanent state of speculative investment. Simultaneously, Buyer has near-total flexibility to revise demand with minimal notice — a structural imbalance that positions Buyer as dominant and Supplier as perpetually exposed.
SMARTnership reframe	Extend the binding window to reflect actual supply chain reality — consider a tiered structure: months 1–3 fully binding (100%), months 4–6 partially binding (e.g., 70%), months 7–12 directional but informing joint capacity planning. Couple this with a shared S&OP (Sales & Operations Planning) process — joint monthly reviews of demand signals, production constraints, and market conditions.

3 · LOGISTICS, DELIVERY & RISK TRANSFER (§15–18, §50)

The Positional Pattern

The EXW delivery terms and 72-hour collection window are designed entirely around Supplier's convenience — pushing all logistics risk, cost, and operational burden onto Buyer immediately at the factory gate. The storage fee clause adds a financial penalty on top.

§15–16 EXW Delivery — Full Risk to Buyer at Factory Gate

What it says	Delivery is Ex Works (EXW) Austin, Texas. Risk transfers to Buyer the moment goods are handed to Buyer's carrier. Buyer arranges and pays for all transportation.
Why it's positional	EXW is the most supplier-favourable Incoterm. It is appropriate when Buyer has superior logistics capability — but when Buyer is operating from Michigan and collecting from Austin in large quantities, this creates significant operational asymmetry. More importantly, it eliminates any Supplier stake in the safe, timely arrival of the product, which conflicts with the quality partnership the contract otherwise claims to seek.
SMARTnership reframe	Consider shifting to DAP (Delivered at Place) or FCA (Free Carrier), where Supplier retains responsibility to a named logistics point closer to Aurora's Michigan operations. Alternatively, create a Joint Logistics Working Group that co-designs the transportation model — potentially sharing logistics infrastructure, consolidating shipments, and creating resilience together. Supplier's skin in the game post-production creates stronger quality accountability.

§50 Storage Charges for Uncollected Modules	
What it says	If Buyer does not collect finished modules within 72 hours of readiness notification, Supplier may charge storage fees.
Why it's positional	This is a pure penalty clause with no corresponding obligation on Supplier's side. There is no reciprocal compensation to Buyer if Supplier fails to have modules ready on time, or if production shortfalls disrupt Buyer's vehicle assembly. The clause punishes Buyer's logistics delay but ignores Supplier's production delay — a textbook one-sided protection.
SMARTnership reframe	Replace with a symmetric Service Level Agreement: define readiness notification lead times, pickup windows, and — critically — a reciprocal compensation framework if Supplier's readiness notifications are inaccurate or late. Both parties bear the cost of their own operational failures. This builds accountability and trust simultaneously.

4 · QUALITY, WARRANTY & DEFECTS (§26–34)

The Positional Pattern

The quality framework is audit-focused and liability-limited. It treats quality as a compliance threshold to be monitored and enforced rather than a joint outcome to be invested in. The warranty cost allocation clause is particularly positional — it insulates Supplier from the downstream commercial consequences of defective products.

§27 Acceptable Defect Rate of 1.5%	
What it says	The acceptable defect rate per shipment shall not exceed 1.5%. If exceeded, Supplier implements corrective action.
Why it's positional	A 1.5% defect rate in automotive battery manufacturing is not a quality standard — it is a quality ceiling that normalizes failure. At 500,000 modules/year, 1.5% means up to 7,500 defective modules annually. The clause treats this as acceptable. This is positional thinking: Supplier negotiated a margin of tolerance that protects it from corrective action obligations rather than striving for zero-defect excellence.
SMARTnership reframe	Jointly develop a Quality Improvement Roadmap with declining defect targets year-over-year (e.g., 1.5% → 0.8% → 0.3%). Link Supplier's performance against these targets to a small price incentive — bonus for beating targets, adjustment for missing them. This transforms quality from a compliance threshold into a shared investment in product excellence that benefits both parties' reputations.

§33 Warranty Cost Limitation — No Recall Liability	
What it says	Supplier's warranty responsibility is limited to repair, replacement, or reimbursement of defective modules only. Supplier is explicitly NOT responsible for vehicle recalls, transportation costs, or customer compensation.
Why it's positional	In the EV industry, a battery module failure does not stop at the module — it triggers vehicle recalls, roadside assistance, OEM customer support, and reputational damage. By carving out all downstream consequences, Supplier has no financial exposure to the true cost of its manufacturing failures at the vehicle and customer level. This insulates Supplier from the real-world impact of its quality decisions and removes the incentive to invest in root-cause prevention.
SMARTnership reframe	Introduce a tiered warranty liability model: below a defined failure threshold, standard repair/replace applies. Above it — suggesting systemic manufacturing failure — a

	broader cost-sharing arrangement kicks in, covering a defined proportion of downstream recall and logistics costs. Cap the exposure to protect Supplier from catastrophic claims, but ensure some skin in the game so quality investment decisions are made with the full consequence in view.
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§28 Buyer-Initiated Audits Only

What it says	Buyer may conduct periodic audits. Supplier cooperates and provides access. No other formal quality governance is described.
Why it's positional	The audit right is unilateral and inspection-based — Buyer polices Supplier. This is the classic buyer-supplier control dynamic: surveillance rather than partnership. There is no joint quality committee, no shared data platform, no proactive escalation process. Quality problems are discovered after the fact.
SMARTnership reframe	Establish a Joint Quality Council: a standing body with representatives from both organizations that reviews quality data monthly, agrees on improvement targets, and co-invests in manufacturing process upgrades. Shared real-time quality dashboards — where both parties see the same data simultaneously — replace the adversarial audit with continuous mutual visibility.

5 · PAYMENT TERMS (§22–25)

§22 90-Day Payment Terms

What it says	Buyer pays within 90 days of invoice. No early payment incentive is defined. Supplier bears the full working capital cost of financing 3 months of production output.
Why it's positional	For a contract worth ~USD 400M over three years — approximately USD 133M/year — 90-day payment terms mean Supplier is permanently financing ~USD 33M of Buyer's inventory. This is a classic power-imbalance clause: large OEM buyers impose extended payment terms on suppliers to optimize their own working capital, offloading financing costs to smaller suppliers who often pay higher rates of capital.
SMARTnership reframe	Negotiate a Dynamic Discounting or Supply Chain Finance arrangement: Buyer offers early payment options (e.g., at 30 or 60 days) in exchange for a negotiated discount. Both parties can optimize: Buyer earns a return on surplus cash; Supplier reduces financing costs. Alternatively, Aurora could facilitate access to its banking relationships for Voltatek, reducing Voltatek's cost of capital — a genuine value-creation act that costs Aurora relatively little.

6 · TERMINATION ASYMMETRY (§77)

§77 Asymmetric Termination Notice Periods

What it says	Buyer may terminate for convenience with 180 days notice. Supplier must give 270 days notice — 50% longer.
Why it's positional	The asymmetry is a naked power clause. Buyer can exit faster than Supplier can. This reflects a negotiating position — Buyer's leverage during contract formation — not a principled allocation of commercial risk. Supplier's longer notice period acknowledges that it needs more time to find alternative customers for dedicated capacity, which implicitly acknowledges that Supplier has taken on significant relationship-specific investment risk.

SMARTnership reframe	Equalize the notice periods (180/180 or 270/270) and instead address the underlying concern directly: create a joint Transition Protocol that defines exactly how both parties wind down — inventory ownership, IP handover, customer notification, and transition support. Equal notice periods signal mutual respect; the protocol addresses the real operational concern.
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7 · RELATIONSHIP GOVERNANCE (§61–63, §88)

The Positional Pattern — The Deepest Problem

Perhaps the most significant positional failure in this contract is structural rather than clause-by-clause: it is designed as a transaction, not a relationship. Section 88 — the final operative clause — says both parties shall cooperate in 'good faith.' This aspiration sits at the end of 87 sections that systematically position the parties against each other. Good faith cannot be bolted onto an adversarial architecture.

§63 Relationship Review — Advisory Only	
What it says	Senior representatives 'may' meet periodically to review performance. Such discussions 'shall not modify contractual obligations unless documented in writing.'
Why it's positional	The word 'may' is doing enormous work here — and doing it badly. There is no mandatory governance cadence, no joint KPI framework, no escalation structure, and no defined forum for raising strategic concerns before they become disputes. The clause's final sentence — reminding both parties that discussions don't change anything — effectively discourages open dialogue.
SMARTnership reframe	Replace optional discussions with a structured Relationship Governance Framework: a mandatory quarterly Business Review at operational level, an annual Strategic Partnership Review at executive level, and a defined Joint Innovation Forum. Agreed KPIs — covering quality, delivery, cost, and innovation — are reviewed together, not reported by one party to the other. This is the institutional expression of SMARTnership: structure that makes collaboration the default, not the exception.

§64–66 Competitive Supply, Non-Exclusivity, and Parallel Development	
What it says	Supplier may supply competitors of Aurora. Aurora may source from Voltatek's competitors. Neither party is restricted from building parallel relationships. Supplier may develop competing technologies.
Why it's positional	These clauses are legally standard but strategically destructive when taken together. They signal that both parties anticipate the relationship may not work — so each preserves maximum optionality to exit or hedge. The result is that neither party has structural incentive to invest deeply in the relationship. Supplier won't share its best technology exclusively with Aurora if Aurora is simultaneously qualifying alternative suppliers.
SMARTnership reframe	Introduce a Strategic Partnership Tier: a defined set of mutual commitments that activate if both parties reach agreed performance milestones — e.g., exclusivity on next-generation battery chemistries in exchange for Aurora's volume commitment above a threshold. This creates a value corridor: the more both parties invest, the more protection and upside they access. Competitive hedging becomes less rational when the partnership itself generates superior returns.

8 · TECHNOLOGY DEVELOPMENT & INTELLECTUAL PROPERTY (§57–59, §67–68)

§57–59 / §67 Technology Innovation — All Upside to Supplier

What it says	Supplier may develop battery improvements independently. Supplier retains all ownership. Improvements are offered to Buyer 'subject to mutually agreed commercial terms.' Jointly developed IP is addressed by future agreement.
Why it's positional	The technology clauses are a masterclass in positional IP protection — everything Supplier creates belongs to Supplier; everything Aurora might co-develop is subject to a future negotiation that hasn't happened yet. Aurora has no pre-agreed right of first access to next-generation technology it may have contributed to — through volume commitments, technical specifications, field performance data, or co-development investment.
SMARTnership reframe	Create a Technology Roadmap Partnership: a joint 3-year technology roadmap with defined investment contributions from both parties. Establish pre-agreed IP ownership rules for different contribution scenarios. Aurora's exclusive or preferred access to next-gen battery technology becomes a competitive advantage — in exchange for which Voltatek gets development funding, field data, and a committed launch customer. This is value that neither party can create alone.

STRATEGIC SUMMARY: FROM TRANSACTION TO PARTNERSHIP

The Central Tension

This contract describes a USD 400M, 3-year relationship in which both companies' core business outcomes depend on each other's performance. Aurora's vehicle production depends entirely on Voltatek's manufacturing reliability. Voltatek's growth depends entirely on Aurora's volume commitments.

Yet the contract is written as if both parties expect the other to perform the minimum required and extract maximum advantage wherever possible. Every protection clause, every unilateral right, every asymmetric obligation is a signal: 'I do not fully trust you, so I am protecting myself.'

SMARTnership asks a different question: if both parties trusted the structure — not just each other personally — what would they be willing to commit to?

The Five Priority Renegotiation Areas

- Volume commitment: Introduce a minimum purchase floor and a risk corridor — replacing zero-guarantee exposure with shared commercial responsibility.
- Gain-share on efficiency: Create a contractual mechanism to share productivity improvements — aligning both parties behind the same operational goals.
- Relationship governance: Install mandatory joint governance — quarterly operational reviews, annual strategic reviews, a joint innovation forum — making collaboration structural, not aspirational.
- Quality partnership: Replace the audit-and-penalty model with a Joint Quality Council, shared data visibility, and improvement roadmaps with aligned incentives.
- Technology access: Negotiate pre-agreed preferred access rights for Aurora to Voltatek's next-generation battery developments, in exchange for Aurora's volume and co-development commitments.

The SMARTnership Invitation

A contract negotiation is itself a negotiation — and the way parties negotiate their contract signals how they will behave inside it. If Aurora and Voltatek approach renegotiation as an opportunity to co-design a structure that makes both companies more successful, they will signal something profound: that this is not a vendor relationship, but a strategic partnership.

That signal — and the structural changes that back it up — is the foundation of the SMARTnership Third Road.

Prepared using the SMARTnership Negotiation Framework. This analysis identifies value creation opportunities and does not constitute legal advice.